DOCUMENT RESUME

ED 341 222 EC 300 897

AUTHOR Braddock, David
TITLE Issues in the Closure of State Schools in Texas: A Briefing Paper.
INSTITUTION Texas Planning Council for Developmental Disabilities, Austin.
PUB DATE Jul 91
NOTE 18p.
PUB TYPE Viewpoints (Opinion/Position Papers, Essays, etc.) (120) -- Information Analyses (070)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Community Programs; Cost Effectiveness; *Deinstitutionalization (of Disabled); Developmental Disabilities; Elementary Secondary Education; *Mental Retardation; Needs Assessment; Policy Formation; *Program Termination; Residential Programs; *Resource Allocation; *State Schools; Statewide Planning
IDENTIFIERS *Texas

ABSTRACT

This paper considers implications of the findings of the Texas Performance Review concerning mental retardation services, in light of decreasing numbers of students at state schools and budgetary restraints on major investments in both institutional operations and community service programs. The paper concludes that Texas should consider closing one or more state schools and invest more heavily in community services for this population. Seven questions are addressed: "What are the current trends in Texas and in other states in providing and funding institutional and community services?"; "How many states have closed state institutions (state schools) recently, and how many are planning to do so in the near future?"; "What are today's state school costs per resident in Texas and what will these costs be in 10 years?"; "How do persons with mental retardation and related developmental disabilities adjust to relocation from institutions to a community living environment?"; "How do parents of relocated individuals react to this change?"; "How might cost savings be achieved in Texas if one or more state schools were to be closed?"; and "What are some criteria that might be used to decide which facility or facilities to close?". (10 references.) (DB)

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ISSUES IN THE CLOSURE OF STATE SCHOOLS IN TEXAS: A BRIEFING PAPER

July 1991

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ISSUES IN THE CLOSURE OF STATE SCHOOLS IN TEXAS: A BRIEFING PAPER

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July 1991

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Issues in the Closure of State Schools in Texas: A Briefing Paper

INTRODUCTION

Senate Bill 111, passed by the 72nd Texas Legislature, required the Legislative Budget Board (LBB) to conduct a review of all programs, services, and activities operated by state agencies in Texas. The Comptroller of Public Accounts was designated by the LBB to function as the lead agency in carrying out this review, which was the most comprehensive examination of state government operations ever completed in Texas. Using staff from the Comptroller's Office, the LBB, the Governor's Office, the Sunset Advisory Commission, the Auditor's Office, and other agencies, a team of more than 100 individuals were involved in a five-month process known as the "Texas Performance Review" (TPR).

On June 26, 1991, the results of the review were made public by Comptroller John Sharp. With respect to mental retardation services, the review identified two central public policy issues. The first pertained to the growing expense of operating state schools in Texas:

> **If all 13 state schools remain open they must each be adequately funded to meet the needs of their residents and cover significant fixed costs. If the census of the schools continues to decline as projected by MHMR, it will become increasingly more inefficient to continue operation of all the schools.**[1]

Comptroller Sharp's report also identified a second issue. Due to limited budgetary resources available to Texas state government, he stated that it would be extremely difficult in the future for the state to fund major investments in institutional operations while also developing new initiatives for community services programs. Expansion of community-based mental retardation services would require the reallocation of budgetary resources from institutional operations to community services programs in the years ahead. As the state schools' populations decline to inefficient levels, per diem costs would rise exponentially--creating extreme pressure on the state to close or consolidate state schools, and then to re-deploy those resources to serve the thousands of people with mental

retardation and their families who do not receive community-based services at this time. Comptroller Sharp recommended the development of objective criteria to determine the circumstances under which schools should be closed.

IMPLICATIONS OF THE TEXAS PERFORMANCE REVIEW FINDINGS

The purpose of this briefing paper is to consider the implications of the TPR findings in light of experiences in other states in developing community services and supports for persons with mental retardation and their families. In this paper, we will address the following seven questions often asked about both making and implementing the decision to close state schools:

- What are the current trends in Texas and in other states in providing and funding institutional and community services? Page 3
- How many states have closed state institutions (state schools) recently, and how many are planning to do so in the near future? Page 5
- What are today's state school costs per resident in Texas and what will these costs be in 10 years? Page 7
- How do persons with mental retardation and related developmental disabilities adjust to relocation from institutions to a community living environment? Page 8
- How do parents of individuals relocated to community settings react to the relocation of their relative from an institution to the community? Page 9
- How might cost savings be achieved in Texas if one or more state schools were to be closed in the near future? Also to what alternate use might a closed state school be put? Page 10
- What are some of the criteria that might be used to decide which facility(ies) to close? Page 12

Question #1: What are the current trends in Texas and in other states in providing and funding institutional and community services?

The first state schools were opened on the East Coast in the 1850's. They were developed to provide a **temporary residential placement** for individuals who, after a relatively brief period of education and training in these facilities, returned to community life. Early success at several schools spawned the opening of additional state-operated mental retardation facilities across the U.S. The first state mental retardation facility in Texas was opened in 1899 as a unit of the Abilene State Epileptic Colony. Unfortunately, as the country industrialized and urbanized, state school populations expanded much faster than their capacity to provide appropriate training and educational services. By 1930, more than 100,000 persons with mental retardation were institutionalized across the U.S., and most residents received minimal custodial care. This trend toward custodial care and "warehousing" of persons with mental retardation increased after the Second World War and throughout the 1950's. Media exposés about deficient conditions were commonplace.

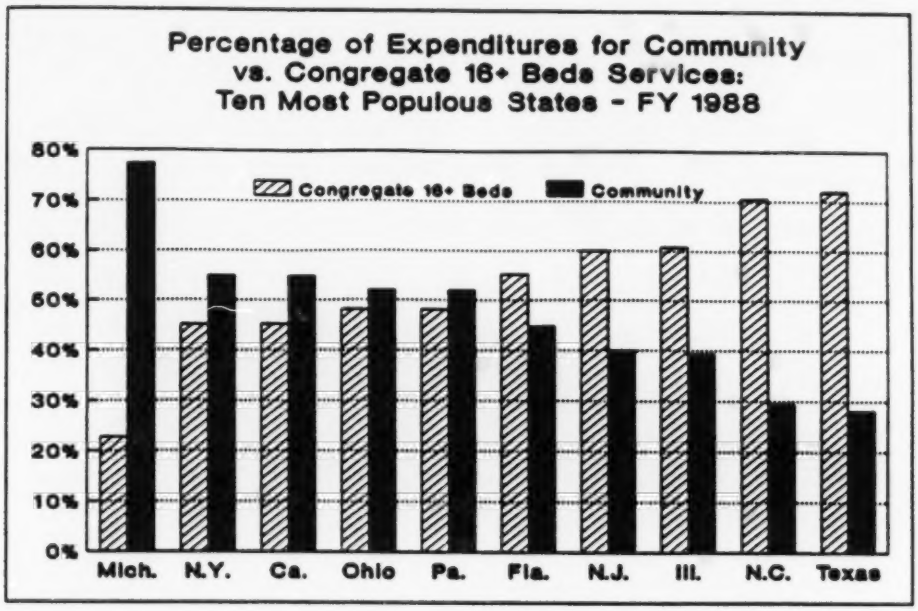
In 1967, the nation's institutional census peaked at 195,000 residents in 240 state mental retardation facilities. **Since 1968, the number of individuals with mental retardation served in state facilities has declined between three and four percent annually for 23 consecutive years.** In 1990, the residential census of the nation's state schools fell below 90,000 persons. If present trends continue, there will be fewer than 55,000 residents in state facilities by the year 2000. Costs, however, are climbing rapidly. They are projected to exceed $100,000 for each resident per annum on a national basis within 10 years.[2]

Current trends in the mental retardation field evolved out of the parent movement in the 1950's and 1960's. Parents demanded a higher quality of institutional care and greater opportunities for community living. Federal legislation was enacted in 1963 establishing a network of community centers in Texas and across the country. Segregating individuals in large often remote institutions and providing poor quality care and habilitation, became prominent civil rights issues in the 1970's

and 1980's. Class action lawsuits were filed and continue to be litigated in Federal District Courts throughout the U.S. By 1980, many states had begun implementing aggressive community services initiatives involving the development and funding of small group homes, supervised apartments, in-home family support programs, and specialized work services known as "supported employment." Today, institutional settings are slowly but inexorably being replaced by smaller, more individualized community placements, and by expanded family-support services. In Texas, for example, a new family support program permits families with relatives who have disabilities to support their relative at home. This saves Texas taxpayers tens of thousands of dollars per year **for each client** because out-of-home residential care costs are avoided.

There are now more than 12,000 supervised small group homes with 15 or fewer residents with mental retardation in the United States. In 1977, 86% of all persons with mental retardation in out-of-home residential placements nationally were living in large (16 beds or more) congregate care institutional settings. By 1988, the percentage in large congregate settings had dropped to 60%, and it continues to fall rapidly. Texas, however, still relied on congregate institutional settings for 86% of its out-of-home placements in 1988. Texas ranks 48th--ahead of only Mississippi and Oklahoma--in utilization of the traditional large and expensive institutional model of care typified by the state school. Since patterns of state mental retardation expenditures mirror the structure of a state's residential care system, Texas compares poorly to the nation's most populous states in terms of the percentage of the state's total expenditures committed to community services versus that spent for congregate institutional care. Figure 1 is from the TPR report, based on University of Illinois data, and it compares Texas' proportional commitments to institutional and community services with the nine other largest states. **Texas ranks first in percentage of total spending allocated to congregate state school settings, and last in allocations for community services.**

Figure 1

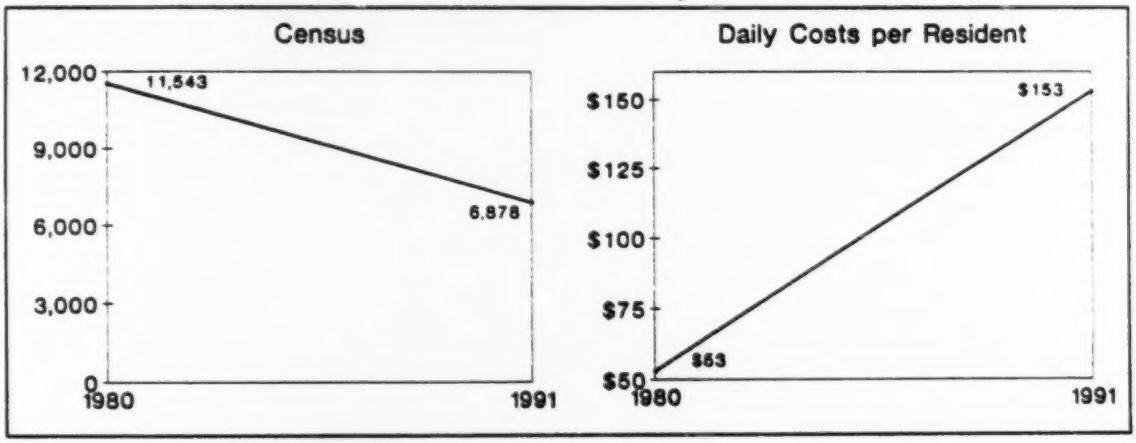


Question #2: How many states have closed state schools or are planning to do so in the near future?

Since 1970, on a national basis, 22 states have closed or scheduled the closure of 60 state mental retardation institutions. This is approximately one-fourth of the total number of institutions that existed in 1970. More than three-fourths of the closures have occurred in the past 10 years. In January 1991, New Hampshire closed the Laconia State School and became the first modern American state to operate an institution-free service delivery system. **In March 1991, New York State announced plans to close all 18 of its state schools**. New York was already in the process of closing 11 facilities. Michigan has closed seven state facilities and is committed to closing the remainder; Minnesota, Ohio, and Pennsylvania have each closed four institutions; and, Illinois and Maryland have each closed three facilities. Based on current trends, over 40 additional closures are projected to occur across the U.S. by the year 2000, according to a recent study published in the *American Journal of Mental Retardation*.[2]

Providing community-based services for persons with mental retardation and their families gained much political support in recent years. Between 1977-88, the annual growth of total community spending in the United States averaged 20% in real economic terms; total institutional spending growth averaged two percent, even though institutional populations were dramatically reduced in the states. As the institutional population in Texas declined from 11,543 in 1980 to 6,878 in 1991, for example, daily costs for each state school resident almost tripled from $53 to $153 (Figure 2). The average cost of care in Texas is now over $54,000 per year for each state school resident. This has understandably put enormous pressure on the Texas budget. A significant part of the state schools' costs are fixed, as Comptroller Sharp observed. Thus, costs per resident increase rapidly as the resident census declines.

Figure 2
Trends in Texas State School Daily Costs and Census



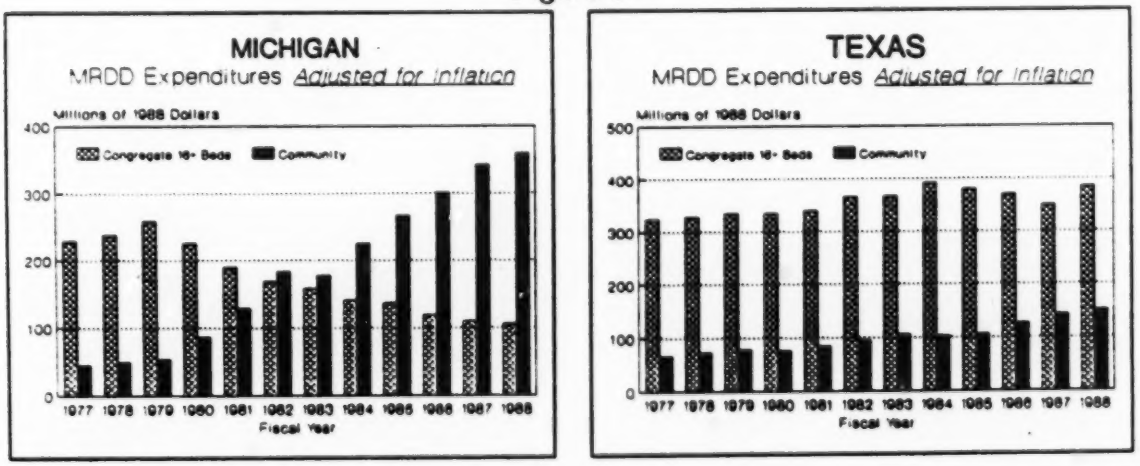
The increasing cost of state school operations has made it extremely difficult for the Texas Department of Mental Health and Mental Retardation (TDMHMR) to further expand community-based services for the tens of thousands of Texans with mental retardation and their families who would **choose** to receive support and assistance in community settings if those services were available. **The Texas residential care system doesn't permit such a choice to be made today.**

Question #3: Costs for operating state institutions today are very high. What are the costs for Texas' state school residents likely to be in the year 2000?

If present trends continue, an average of $113,500 per year or $310 per day is expected to be spent in the year 2000 for each state school resident in the United States. During 1977-88, average per diems more than tripled nationally, from $45/day to $154/day. By 1988, per diems exceeded $300/day in one state, $200/day in nine states, and $150/day in 24 states.[2] Per diems in Texas for 1991 reached $153/day,[3] an increase of nearly 30% over the preceding three years. Absent a decision to close one or more state schools, and given the TDMHMR's commitment to continue reducing the state school census, average per diems in Texas will surpass $200/day by FY 1996 for approximately 6,000 residents. **This amounts to $1.2 million per day or $438 million per annum for the state school system.**

An equally grave fiscal consequence of continuing to commit larger and larger sums of money to state school operations lies in the fact that, given current trends, few "new" dollars would be available to TDMHMR to initiate community services. The State of Michigan faced a similar decision point in the early 1980's. Figure 3 below illustrates the fiscal impact of Michigan's decision to close several of its state facilities. Closures enabled the state, in a short period of time, to reallocate institutional funding and greatly expand the resource base for providing new community services to thousands of families. Michigan's decision to close several facilities and expand community services received widespread political support.

Figure 3



Question #4: How do persons with mental retardation adjust to relocation from an institution to a community setting?

In 1989, Larson and Lakin of the University of Minnesota published a comprehensive review of research on changes in adaptive behavior associated with a resident moving from a state mental retardation institution to a small (15 or fewer people) community living arrangement.[4] Over 50 studies published between 1976-88 were initially identified. After screening them according to six rigorous quality standards, 18 studies were subsequently analyzed. Results of the analysis indicated that institutions were "consistently less effective than community-based settings in promoting growth, particularly among individuals diagnosed as severely or profoundly retarded" (p. 330). The 18 studies reviewed in the Larson and Lakin analysis involved 1,358 subjects. The studies were conducted in 13 different states from all regions of the country. The authors concluded that:

> it must be recognized that based on a substantial and remarkably consistent body of research, placing people from institutions into small, community-based facilities is a predictable way of increasing their capacity to adapt to their community and culture (p. 331).

Many people with levels of impairment once believed to be manageable only in institutional settings now live satisfactorily in community settings. For example, the 1987 National Medical Expenditure Survey identified over 16,000 individuals with the most profound level of mental retardation living in small community facilities of 15 or fewer residents. Undeniably, anecdotal reports of instances in which community placements did not work out are occasionally cited by proponents of institutions. However, the institutionalization of persons with mental retardation who have committed no wrong against society can only be justified by demonstrating clear benefits accruing to these persons from living in an institution. **The research literature clearly indicates that state institutions do not provide a superior level of care for people with mental retardation.**

Question #5: How do parents of individuals relocated to community settings react to the relocation of their relative from an institution to a small community setting?

Most families initially oppose the transfer of their relative from an institution to a community setting; but after transfer occurs, the great majority of parents become strong supporters of community placement.[5] Since the late 1970's, seven studies have been completed nationally concerning the reactions of parents of institutionalized persons to the community placement of their relative with mental retardation. These studies demonstrated that, after community placement, parents consistently reported lower levels of satisfaction with the earlier institutional placement and high levels of satisfaction with community placement.[6]

Surprisingly, family dissatisfaction with closure initially bears almost no relationship to family attitudes toward closure a year later. The relative's medical status and the family's worry over "transfer trauma" both play insignificant roles in determining longer term parent reactions. The primary variables affecting both parent satisfaction with closure and parent stress levels is the family's current appraisal of the quality of the new placement. Frequent visits with the relative during the closure process are also related to higher parent satisfaction with closure one year later.

Given that families often resist institutional closure and the relocation of their relative, it is very important for professionals and policymakers to assure families that "transfer trauma" and increased health problems for their relative are uncommon during institutional closures. This is particularly true when relocation is handled with sensitivity to the client's needs and preferences, and when the families is involved in the process. The literature on family reaction to institutional closure and relocation may be summed up as follows:

> **. . .the clearest message in these studies is that the overwhelming majority of parents become satisfied with community settings once their son or daughter has moved from the institution, despite general predispositions to the contrary.[6]**

Question #6: How might cost savings be achieved in Texas if one or more state schools were to be closed? Also, to what alternate use might a closed state school be put?

The closure of a state school generates substantial savings for state government because it 1) eliminates the high fixed cost of operating a state-owned facility; 2) shifts some fiscal responsibilities from state government tax revenues to federal SSI and local government sources; 3) increases the likelihood that clients will engage in productive employment behavior by being located "in the community" instead of segregated from it; 4) utilizes cheaper generic social, educational, religious, and recreational resources in the community rather than the relatively expensive, specialized services which must be provided in the institution; and, 5) avoids the need for expensive capital construction and remodeling costs, which Deloitte, Haskins, and Sells estimate to be $150 million for Texas 13 state schools.[6]

The New York State Office of Mental Retardation and Developmental Disabilities retained the services of an independent consulting firm to study the cost implications of its decision to close all of its state mental retardation institutions. The study, authored by the Grant-Thornton accounting firm, concluded that the average post closure per diem operating costs for each client "were approximately **9% lower** than the pre-closure costs."[8] The Grant Thornton study found that closure had little effect on state employee levels. **Conversion of a state school campus to an alternate use such as a prison or juvenile facility provided substantial new employment opportunities and absorbed much of the economic impact of the state school closure.**

The TDMHMR, through interdisciplinary team evaluations, has identified 1,600 current residents of Texas state schools for whom immediate placement in a small community setting is appropriate. Since the average daily census of Texas state school system in April 1991, was 529 persons, three state facilities could be closed if these 1,600 residents were placed in the community. The average size of the 10 remaining facilities would remain approximately the same as prior to the closures.

The costs of institutionalizing 1,600 individuals in Texas' 13 state schools in 1991 is $86 million per year. Using the Grant-Thornton study's conclusions as a guide (9% x $86 million), roughly $8 million per year in operating costs could be saved by implementing the closure of three state schools. Another $30 million in one-time capital construction expenditures could also be avoided if the closures were implemented. Virtually all state schools in Texas require extensive remodeling, renovation, and square-footage expansion to comply with certification and accreditation requirements.[7] Asbestos removal is also a potentially serious problem of unknown proportions. **The rebudgeting of $8 million per annum in "saved" state school closure expenditures could enable more than 1,000 unserved Texas families to receive in-home family support services for their relative with a severe disability.** This would reduce the pressure on the state school system to institutionalize persons with mental retardation at taxpayers expense. In addition, the 1,600 clients relocated to community settings would enjoy a better quality of life. Some would become taxpayers.

The implementation of a state school closure may involve the outright closure of a facility or its conversion to alternate use such as a prison or private sector development project. The residents living in the terminated facility should be relocated to community settings, but some could initially be consolidated with residents at other state schools until such time that appropriate community placement can be arranged. Consolidation of state schools offers inherent fiscal advantages because it permits state school closure to take place quickly and inexpensively. In 1982, for example, Illinois successfully relocated the 820 residents of the Dixon State School to four smaller Chicago-area state schools within a single calendar year. More than 90% of the parents were satisfied with the closure. Resident friendship patterns were kept intact by moving small groups of clients together and by closing down one unit at a time. Many closures implemented in the states have involved both a community placement initiative and a consolidation component.

By simultaneously implementing a community placement and consolidation strategy over the next biennium in Texas, it is likely that the estimated 9% cost savings figure for closure substantially

understates the potential savings to Texas State Government. Further study is needed to more accurately project the anticipated savings, but a reduction in cost of 15-20% per client does not seem unreasonable given estimated FY 1990 community per diem rates in Texas of $67 (private) and $87 (public).[9] The cost of day programs and case management must be factored into these community per diems to permit a meaningful comparison to be made with institutional costs. However, it is stressed that Texas' state school per diems now average **$153 per day**. The wide disparity in the community and state school per diem in Texas has increased rapidly during the past several years due to the need to comply with federal court orders and certification requirements in Texas' state schools.

Question #7: What criteria might be used to decide which state schools in Texas should be closed first?

Closure decisions always involve political considerations. However, there are several guidelines to consider in determining which facilities may be more appropriate for closure than others:

1. **Proximity of more than one facility to a metropolitan area**

   For example, Austin, with a population of about 480,000 persons in the metro-area has two state schools located within a few miles of one another (Austin and Travis); both facilities operate at less than full capacity and both sit on land with alternate use potential. The San Antonio State School is also less than 100 miles from Austin.

2. **Isolation of a State School from Population Centers**

   Remote, isolated state schools for mentally retarded people are anachronisms in modern society. Some Texas state schools are located great distances from major population centers. It is extremely difficult for these institutions to recruit professional staff to provide the therapeutic and habilitative services needed by persons who are severely and profoundly retarded. Lufkin State School, for example,

is located 73 miles from the nearest town of at least 50,000 persons. Mexia State School is nearly 40 miles from a town of at least similar size.

3. **Potential of Facility Conversion to Alternate Use**

Certain facilities are particularly appropriate for conversion to prisons; some are ideally located for commercial development, and the proceeds from sale can be used to fund community services initiatives. Texas, like many states, is experiencing extreme overcrowding in its corrections facilities. About one-third of all the state mental retardation institutions closed in the U.S. have been converted to prisons or juvenile detention facilities. Still others have been converted to substance abuse or alcohol detoxification facilities.

4. **Cost Issues**

As per diems approach $200/day or $72,000/year in most states, the states' reliance on institutions is being seriously examined. To paraphrase an astute observer of the mental retardation scene: any service that can be provided in a state mental retardation institution can be provided in a condominium--and at less cost to the taxpayer.

5. **Influence of Class Action Litigation**

Class action litigation such as the *Lelsz* case in Texas has proliferated across the country over the past 20 years. The increased staffing required to implement court orders in cases like *Lelsz* has contributed to the high per diem costs. Massachusetts exemplifies this problem. Litigation drove Massachusetts' state school per diems to over $300/day in 1990.[8] **In 1962, Massachusetts had 3,000 staff serving 10,000 state school residents; today, the state has over 10,000 staff serving 3,000 residents.** The state is experiencing severe economic difficulties. It recently decided to close a state school--its first closure. More closures are likely to be announced within the year.

A new legal development is on the horizon in the Southwest. On December 28, 1990, Federal Judge James A. Parker of the New Mexico District Court issued an order permanently enjoining the defendant New Mexico state schools from "permitting interdisciplinary teams (IDT) to take into account the lack of availability of community services in reaching a recommendation as to whether a resident should be served in the community."[10] Defendants were given 200 days following a community placement recommendation by the resident's IDT to implement the placement. This legal decision places additional pressure on Texas and other states having difficulty deciding if the expansion of community services is a sufficiently important priority to warrant the closure of state facilities and the rebudgeting of funds for community objectives. As previously noted, IDTs in Texas have identified 1,600 clients in state schools for whom community placement is currently appropriate.

CONCLUSION

Texas' residential care system for people with mental retardation has improved in recent years. However, the state must increase its commitment to supported living models of service delivery to keep pace with the growing maturity of the community integration movement in Texas and across the country. Unfortunately, Texas remains just as reliant on state schools today as the nation as a whole was 14 years ago. State school costs are escalating rapidly, and the new generation of Texas families is insisting that services be provided for their relatives in community-based settings. Given the reasons outlined in this briefing paper, it is entirely appropriate for the State of Texas to seriously consider the closure, consolidation, or conversion of one or more state schools at this time.

Political considerations often relegate community living values to a less prominent position than is warranted. **Legislative leaders need to recognize that there are more than 20 times more individuals with mental retardation living in the community than in state schools today.** Families

and persons with disabilities in need of community services are growing in number and in political sophistication. Institutional populations are shrinking, and few families of state school residents maintain any contact with their relative. **The future, literally, figuratively, fiscally, and politically, is truly in the community.**

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